



Kwasani Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2015

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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Legal form of entity	Kwasani Local Municipality
Members of the Council	
Mayor	Mr M. Banda
Councillors	Cllr V.P Majosi Cllr S.B Mqwambi Cllr P.N Mncwabe Cllr E.Z Radebe Cllr D. Adam Cllr P.R Crawley (MPAC Chairperson)
Grading of local authority	Grade 1
Chief Finance Officer (CFO)	Mr T. Mketsu
Accounting Officer	N.C James
Registered office	Kwasani Local Municipality
Business address	32 Arbuckle Street Himeville 3256
Postal address	P.O Box 43 Himeville 3256
Bankers	First National Bank

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## Annual Financial Statements Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The municipal councillors have been paid within the upper limits as determined in the gazette that was approved by the minister of Corporate Governance and Traditional Affairs with effect from 1 July 2014.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these financial statements are within the upper limits of the framework envisaged in the Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporate Governance of Traditional Affairs' determination in accordance with this Act.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements set out on pages 4 to 48, which have been prepared on the going concern basis, were approved by the on 30 August 2015 and were signed on its behalf by:

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**N.C James**  
Municipal Manager

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
<b>Assets</b>			
Current Assets			
Inventories	4	6 485	6 485
Receivables from exchange transactions	5&6	305 534	196 017
Receivables from non-exchange transactions	5&6	210 050	1 654 445
Receivables from exchange and non-exchange transactions	5	1 117 539	1 330 119
Traffic fines and deposits	7	179 549	174 549
VAT receivable	8	568 541	814 628
Cash and cash equivalents	9	18 941 481	25 867 558
		<b>21 329 179</b>	<b>30 043 801</b>
Non-Current Assets			
Investment property	2	11 350 000	10 661 000
Property, plant and equipment	3	60 551 198	58 933 096
Intangible assets	31	181 466	76 894
		<b>72 082 664</b>	<b>69 670 990</b>
<b>Total Assets</b>		<b>93 411 843</b>	<b>99 714 791</b>
<b>Liabilities</b>			
Current Liabilities			
Borrowings - External loans	13	559 613	720 667
Finance lease obligation	11	193 163	364 924
Payables from exchange transactions	16	3 327 066	7 000 705
Payables from Non-exchange transactions	16	4 664 523	5 723 261
Consumer deposits	17	6 406	6 406
Unspent conditional grants and receipts	12	1 394 328	2 868 035
Provisions	14	2 509 867	2 500 604
Defined Benefit Plan Obligation	15	393 000	569 825
		<b>13 047 966</b>	<b>19 754 427</b>
Non-Current Liabilities			
Borrowings - External loans	13	310 733	870 069
Finance lease obligation	11	557 725	698 600
		<b>868 458</b>	<b>1 568 669</b>
<b>Total Liabilities</b>		<b>13 916 424</b>	<b>21 323 096</b>
<b>Net Assets</b>		<b>79 495 419</b>	<b>78 391 695</b>
Capital Replacement Reserve		582 658	582 658
Reserves			
Revaluation reserve	10	3 084 207	3 084 207
Accumulated surplus		75 828 554	74 724 830
<b>Total Net Assets</b>		<b>79 495 419</b>	<b>78 391 695</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	2 245 923	2 123 402
Learners licence fees		72 886	-
Rental income		342 382	303 105
Agency fees (motor Vehicle Licenses)		277 642	200 974
Profit on disposal		157 790	239 882
Other income		117 143	80 046
Building Plans		119 763	117 755
Interest received - investment		974 964	1 189 880
<b>Total revenue from exchange transactions</b>		<b>4 308 493</b>	<b>4 255 044</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	19	12 970 915	12 487 756
Property rates - penalties imposed	19	1 183 903	2 841 742
<b>Transfer revenue</b>			
Government grants & subsidies	21	27 354 708	32 739 445
Fines		98 100	110 150
<b>Total revenue from non-exchange transactions</b>		<b>41 607 626</b>	<b>48 179 093</b>
<b>Total revenue</b>	18	<b>45 916 119</b>	<b>52 434 137</b>
<b>Expenditure</b>			
Personnel	23	(17 382 027)	(15 312 206)
Remuneration of councillors	24	(1 701 231)	(1 561 008)
Depreciation and amortisation	26	(6 732 490)	(2 750 118)
Finance costs	27	(164 969)	(266 442)
Provision for Bad Debts movements	25	(2 897 307)	(3 593 238)
Repairs and maintenance		(1 610 476)	(991 092)
Contracted services	29	(4 357 620)	(3 733 122)
General Expenses	22	(10 945 861)	(10 539 165)
<b>Total expenditure</b>		<b>(45 791 981)</b>	<b>(38 746 391)</b>
<b>Operating surplus</b>		<b>124 138</b>	<b>13 687 746</b>
Actuarial Gain/(loss)		290 586	16 747
Fair value adjustments-Investment Properties		689 000	-
		<b>979 586</b>	<b>16 747</b>
<b>Surplus</b>		<b>1 103 724</b>	<b>13 704 493</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Capital Replacement Reserve	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2013</b>	<b>582 658</b>	<b>1 774 000</b>	<b>62 064 336</b>	<b>64 420 994</b>
Revaluation for the current year	-	1 310 207	-	1 310 207
Net income (losses) recognised directly in net assets	-	1 310 207	-	1 310 207
Surplus for the year	-	-	13 704 493	13 704 493
Total recognised income and expenses for the year	-	1 310 207	13 704 493	15 014 700
Correction of prior period error	-	-	(1 043 999)	(1 043 999)
Total changes	-	1 310 207	12 660 494	13 970 701
<b>Balance at 01 July 2014</b>	<b>582 658</b>	<b>3 084 207</b>	<b>74 724 830</b>	<b>78 391 695</b>
Surplus for the year	-	-	1 103 724	1 103 724
Total changes	-	-	1 103 724	1 103 724
<b>Balance at 30 June 2015</b>	<b>582 658</b>	<b>3 084 207</b>	<b>75 828 554</b>	<b>79 495 419</b>

Note(s)

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# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		16 400 741	17 452 900
Grants		27 354 708	25 923 000
Interest income		974 964	1 189 880
Other receipts		1 027 916	941 762
Movements in Receivables		(1 037 313)	(3 580 455)
		<u>44 721 016</u>	<u>41 927 087</u>
<b>Payments</b>			
Employee costs		18 852 276	16 569 680
Suppliers		16 868 589	12 715 576
Finance costs		164 969	266 442
Movements in Payables		6 373 347	(4 375 394)
		<u>42 259 181</u>	<u>25 176 304</u>
<b>Net cash flows from operating activities</b>	<b>30</b>	<b><u>2 461 535</u></b>	<b><u>16 750 783</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(8 378 176)	(14 298 507)
Proceeds from sale of property, plant and equipment	3	149 720	114 255
Purchase of other intangible assets	31	(126 130)	(83 723)
<b>Net cash flows from investing activities</b>		<b><u>(8 354 586)</u></b>	<b><u>(14 267 975)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings - external loans		(720 390)	(254 578)
Finance lease payments		(312 636)	(277 959)
<b>Net cash flows from financing activities</b>		<b><u>(1 033 026)</u></b>	<b><u>(532 537)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(6 926 077)</u></b>	<b><u>1 950 271</u></b>
Cash and cash equivalents at the beginning of the year		25 867 558	23 917 287
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b><u>18 941 481</u></b>	<b><u>25 867 558</u></b>



# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy) and S 29	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2015</b>											
<b>Financial Performance</b>											
Property rates	14 552 621	5 895	14 558 516	-	-	14 558 516	14 154 818	-	(403 698)	97 %	97 %
Service charges	2 164 188	92 313	2 256 501	-	-	2 256 501	2 245 923	-	(10 578)	100 %	104 %
Investment revenue	1 540 779	(365 040)	1 175 739	-	-	1 175 739	974 964	-	(200 775)	83 %	63 %
Transfers recognised - operational	18 253 000	-	18 253 000	-	-	18 253 000	19 876 708	-	1 623 708	109 %	109 %
Other own revenue	3 506 488	3 898 687	7 405 175	-	-	7 405 175	2 165 292	-	(5 239 883)	29 %	62 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>40 017 076</b>	<b>3 631 855</b>	<b>43 648 931</b>	<b>-</b>	<b>-</b>	<b>43 648 931</b>	<b>39 417 705</b>	<b>-</b>	<b>(4 231 226)</b>	<b>90 %</b>	<b>99 %</b>
Employee costs	(18 707 359)	369 202	(18 338 157)	-	-	(18 338 157)	(17 382 027)	-	956 130	95 %	93 %
Remuneration of councillors	(1 540 683)	(150 408)	(1 691 091)	-	-	(1 691 091)	(1 701 231)	-	(10 140)	101 %	110 %
Debt impairment	-	-	-	-	(2 899 557)	(2 899 557)	(2 897 307)	-	2 250	100 %	DIV/0 %
Depreciation and asset impairment	(2 078 481)	(158 451)	(2 236 932)	-	(4 372 981)	(6 609 913)	(6 732 490)	-	(122 577)	102 %	324 %
Finance charges	(160 286)	-	(160 286)	-	(90 014)	(250 300)	(164 969)	-	85 331	66 %	103 %
Transfers and grants	(558 000)	330 000	(228 000)	-	-	(228 000)	-	-	228 000	- %	- %
Other expenditure	(16 961 000)	(4 021 176)	(20 982 176)	-	-	(20 982 176)	(16 913 957)	-	4 068 219	81 %	100 %
<b>Total expenditure</b>	<b>(40 005 809)</b>	<b>(3 630 833)</b>	<b>(43 636 642)</b>	<b>-</b>	<b>(7 362 552)</b>	<b>(50 999 194)</b>	<b>(45 791 981)</b>	<b>-</b>	<b>5 207 213</b>	<b>90 %</b>	<b>114 %</b>
<b>Surplus/(Deficit)</b>	<b>11 267</b>	<b>1 022</b>	<b>12 289</b>	<b>-</b>	<b>-</b>	<b>(7 350 263)</b>	<b>(6 374 276)</b>	<b>-</b>	<b>975 987</b>	<b>87 %</b>	<b>(56 575)%</b>

# Kwasani Local Municipality

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	7 478 000	-	7 478 000	-		7 478 000	7 478 000		-	- %	- %
Surplus (Deficit) after capital transfers and contributions	7 489 267	1 022	7 490 289	-		127 737	1 103 724		975 987	864 %	15 %
Surplus/(Deficit) for the year	7 489 267	1 022	7 490 289	-		127 737	1 103 724		975 987	864 %	15 %
<b>Capital expenditure and funds sources</b>											
<b>Sources of capital funds</b>											
Transfers recognised - capital	7 478 000	-	7 478 000	-		7 478 000	7 478 000		-	100 %	100 %
Borrowing	492 728	(492 728)	-	-		-	-		-	DIV/0 %	- %
Internally generated funds	2 891 836	1 072 000	3 963 836	-		3 963 836	1 026 306		(2 937 530)	26 %	35 %
<b>Total sources of capital funds</b>	<b>10 862 564</b>	<b>579 272</b>	<b>11 441 836</b>	<b>-</b>		<b>11 441 836</b>	<b>8 504 306</b>		<b>(2 937 530)</b>	<b>74 %</b>	<b>78 %</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	7 039 700	1 620 066	8 659 766	-		8 659 766	2 461 535		(6 198 231)	28 %	35 %
Net cash from (used) investing	(11 293 700)	28 763 934	17 470 234	-		17 470 234	(8 354 586)		(25 824 820)	(48)%	74 %
Net cash from (used) financing	(1 993 000)	907 000	(1 086 000)	-		(1 086 000)	(1 033 026)		52 974	95 %	52 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(6 247 000)</b>	<b>31 291 000</b>	<b>25 044 000</b>	<b>-</b>		<b>25 044 000</b>	<b>(6 926 077)</b>		<b>(31 970 077)</b>	<b>(28)%</b>	<b>111 %</b>
<b>Cash and cash equivalents at year end</b>	<b>22 563 000</b>	<b>31 291 000</b>	<b>53 854 000</b>	<b>-</b>		<b>53 854 000</b>	<b>18 941 481</b>		<b>34 912 519</b>	<b>35 %</b>	<b>84 %</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset, except where offsetting is required or permitted by a Standard of GRAP.

#### 1.1 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Comparative information

##### Basis of comparison

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.5 Investment property

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property, where an investment property was acquired through a non-exchange transactions (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition

The cost of self-constructed investment property is the cost at date of completion.

#### Subsequent measurement - Fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent to the initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment loss.

An increase in an the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except , is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Infrastructure	
• Roads and Paving	10-25 yrs
• Pedestrian Malls	10-25 yrs
• Sewarage	10-25 yrs
Community	
• Buildings	30 yrs
• Recreational Facilities	30 yrs
• Security	30 yrs
• Halls	30 yrs
• Libraries	30 yrs
• Parks and Gardens	30 yrs
• Other Assets	30 yrs
Heritage Assets	
• Buildings	30 yrs
Finance leased Assets	
• Office Equipment	5 yrs
• Other assets	5 yrs
Other Property, plant and equipment	2-15yrs
• Specialised vehicles	2-15yrs
• Other vehicles	2-15yrs
• Office equipment	2-15yrs
Landfill Sites	20 yrs

The residual value, the useful life of an asset and depreciation method is reviewed reporting date and any changes are recognised as a change in accounting estimates in the statement of financial performance.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount). It is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Position.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in the Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost of the fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- The municipality intends to complete the intangible assets for use or sale;
- It is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- It is probable that the municipality will receive future economic benefits or service potential.

Intangible are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). if the acquired items fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based the following estimated average asset lives:

.Computer software	3-5yrs
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimates in the Statement of Financial Position.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), It is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Position.

Intangible assets are derecognised when the asset is disposed of or when there are no future economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between sales proceeds and the carrying value and is recognised in the Statement of Financial Position.

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years



## Accounting Policies

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### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.9 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments, the municipality uses the interest rate that exactly discount the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the state accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayments using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the assets useful life or the lease term.

#### Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments, the municipality uses the interest rate that exactly discount the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the state accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayments using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the assets useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.9 Leases (continued)

#### Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivables is reduced by the capital portion of the lease instalment received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to leave receivables.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.11 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.11 Employee benefits (continued)

### 1.12 Provisions and Contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- >the amount that would be recognised as a provision; and
- >the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

### 1.12 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from council and are levied monthly.

Interest revenue is calculated on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Revenue from exchange transactions (continued)

Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to a customer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.



# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Revenue from non-exchange transactions (continued)

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### 1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

### 1.15 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the condition of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

### 1.16 Fruitless and wasteful expenditure

Fruitless and Wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

### 1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.18 Commitments

Capital commitments disclosed in the notes to the annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the specific reporting period.

### 1.19 New accounting standards issued but not yet effective

The Municipality has not early adopted the following standards:

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.19 New accounting standards issued but not yet effective (continued)

GRAP 32	- Service Concession Arrangements: Grantor
GRAP 105	- Transfer of functions between entities under common control
GRAP 106	- Transfer of functions between entities not under common control
GARP 107	- Mergers
GRAP 108	- Statutory Receivables
GRAP 10	- Accounting by Principal and Agents
IGRAP17	- Service Concession Arrangements where a Grantor controls a significant residual interest in an asset.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 2. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	11 350 000	-	11 350 000	10 661 000	-	10 661 000

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	10 661 000	689 000	11 350 000

#### Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	10 661 000	-	10 661 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Investment property are valued each year by the municipal valuer during the year under review there has been no adjustment on fair value.

### 3. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 905 000	-	10 905 000	10 905 000	-	10 905 000
Buildings	4 960 674	(773 280)	4 187 394	4 709 163	(614 163)	4 095 000
Plant and machinery	652 175	(416 866)	235 309	583 340	(352 129)	231 211
Furniture and fixtures	427 762	(132 739)	295 023	264 739	(72 619)	192 120
Motor vehicles	2 560 270	(1 453 199)	1 107 071	2 510 843	(1 310 528)	1 200 315
Office equipment	2 480 271	(1 689 361)	790 910	2 420 623	(1 312 146)	1 108 477
Computer	407 342	(109 851)	297 491	190 255	(39 076)	151 179
Infrastructure	39 563 141	(12 760 438)	26 802 703	33 019 385	(7 990 965)	25 028 420
Community	17 041 234	(2 782 147)	14 259 087	14 762 813	(2 016 197)	12 746 616
Work in Progress	1 671 210	-	1 671 210	3 274 758	-	3 274 758
<b>Total</b>	<b>80 669 079</b>	<b>(20 117 881)</b>	<b>60 551 198</b>	<b>72 640 919</b>	<b>(13 707 823)</b>	<b>58 933 096</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	10 905 000	-	-	-	-	-	10 905 000
Buildings	4 095 000	-	-	251 511	(159 117)	-	4 187 394
Plant and machinery	231 211	68 831	-	-	(64 733)	-	235 309
Furniture and fixtures	192 119	163 024	-	-	(60 120)	-	295 023
Motor vehicles	1 200 315	399 443	(49 140)	-	(443 547)	-	1 107 071
Office Equipment	1 108 478	59 647	-	-	(370 005)	(7 210)	790 910
Computer Equipment	151 179	217 086	-	-	(64 886)	(5 888)	297 491
Infrastructure	25 028 420	-	-	6 543 757	(1 692 785)	(3 076 689)	26 802 703
Community	12 746 616	-	-	2 278 420	(565 784)	(200 165)	14 259 087
Work in Progress	3 274 758	7 470 140	-	(9 073 688)	-	-	1 671 210
	<b>58 933 096</b>	<b>8 378 171</b>	<b>(49 140)</b>	<b>-</b>	<b>(3 420 977)</b>	<b>(3 289 952)</b>	<b>60 551 198</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Restatement and Errors	Restated Opening Balance	Additions	Disposals	Revaluations	Transfers	Depreciation	Total
Land	9 768 000	1 141 331	9 768 000	-	-	50 000	-	-	10 905 000
Buildings	4 329 655	(413 998)	4 294 122	-	-	353 375	-	(174 032)	4 095 000
Plant and machinery	59 616	-	59 616	217 263	(15 061)	-	-	(30 607)	231 211
Furniture and fixtures	196 792	-	196 792	39 110	-	-	-	(43 782)	192 120
Motor vehicles	1 238 395	-	1 238 395	375 460	(807)	-	-	(412 733)	1 200 315
Office equipment	677 145	-	677 145	897 828	(98 387)	-	-	(368 109)	1 108 477
Computer Equipment	84 568	-	84 568	103 297	-	-	-	(36 686)	151 179
Infrastructure	11 942 939	2 148 998	14 091 937	2 942 494	-	-	9 213 502	(1 219 513)	25 028 420
Community	9 507 337	(282 737)	9 507 337	1 042 897	-	-	2 920 041	(440 922)	12 746 616
Work in Progress	6 070 986	657 157	6 728 143	8 680 158	-	-	(12 133 543)	-	3 274 758
	<b>43 875 433</b>	<b>3 250 751</b>	<b>46 646 055</b>	<b>14 298 507</b>	<b>(114 255)</b>	<b>403 375</b>	<b>-</b>	<b>(2 726 384)</b>	<b>58 933 096</b>

#### Property, plant and equipment

##### Subsequent measurement - Revaluation Model (Land and Buildings)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the reporting date less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reverse, except that it reverses a revaluation decreases of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Land and buildings were revalued by an independent valuer based on observable prices in an active market or recent market transactions on arm's length terms

### 4. Inventories

Finished goods	6 485	6 485
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# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>5. Receivables from exchange and non-exchange transactions</b>		
Receivables from Exchange Transactions	305 534	196 017
Receivables from Non-Exchange	210 049	1 654 445
Other Receivables	1 117 539	1 330 119
	<b>1 633 122</b>	<b>3 180 581</b>
<b>6.</b>		
<b>Gross balances</b>		
Rates	11 923 358	10 659 331
Refuse	1 393 587	1 218 141
Other	1 237 560	1 398 633
	<b>14 554 505</b>	<b>13 276 105</b>
<b>Less: Allowance for impairment</b>		
Rates	11 713 309	9 004 886
Refuse	1 088 054	1 022 124
Other	120 019	68 514
	<b>12 921 382</b>	<b>10 095 524</b>
<b>Net balance</b>		
Rates	210 049	1 654 445
Refuse	305 534	196 017
Other	1 117 539	1 330 119
	<b>1 633 122</b>	<b>3 180 581</b>
<b>Rates</b>		
Current (0 -30 days)	14 046	572 574
31 - 60 days	490 176	923 254
61 - 90 days	309 581	554 820
91 - 120 days	252 728	51 116
121 - 365 days	241 703	358 325
> 365 days	10 615 124	8 199 243
	<b>11 923 358</b>	<b>10 659 332</b>
<b>Refuse</b>		
Current (0 -30 days)	124 245	182 162
31 - 60 days	68 704	97 074
61 - 90 days	58 930	77 621
91 - 120 days	53 656	65 311
121 - 365 days	1 088 053	795 974
	<b>1 393 588</b>	<b>1 218 142</b>
<b>Other</b>		
Current (0 -30 days)	18 444	19 771
31 - 60 days	8 694	16 536
61 - 90 days	8 694	16 536
91 - 120 days	8 694	183 431
121 - 365 days	74 149	21 863
> 365 days	1 118 885	1 140 496
	<b>1 237 560</b>	<b>1 398 633</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>6. (continued)</b>		
<b>Ageing per category</b>		
Government	-	-
31 - 60 days	23 076	10 774
61 - 90 days	14 136	18 117
91 - 120 days	14 211	10 933
121 - 365 days	135 184	608 094
	<b>186 607</b>	<b>647 918</b>
<b>Business</b>		
31 - 60 days	172 447	(68 871)
61 - 90 days	93 591	211 723
91 - 120 days	67 065	238 688
121 - 365 days	4 926 717	5 153 420
	<b>5 259 820</b>	<b>5 534 960</b>
<b>Households</b>		
31 - 60 days	310 719	61 478
61 - 90 days	187 729	188 308
91 - 120 days	164 608	182 587
121 - 365 days	5 165 267	4 054 505
	<b>5 828 323</b>	<b>4 486 878</b>
<b>Other</b>		
31 - 60 days	140 669	26 100
61 - 90 days	91 524	19 099
91 - 120 days	74 468	19 694
121 - 365 days	2 973 094	2 541 456
	<b>3 279 755</b>	<b>2 606 349</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	10 095 524	4 152 281
Contributions to allowance	2 825 858	5 943 243
	<b>12 921 382</b>	<b>10 095 524</b>
<b>7. Traffic fines and deposits</b>		
Petrol and Deposits	179 549	174 549
The municipality paid deposit for credit facility with local garage for refueling of its vehicles.		
<b>8. VAT receivable</b>		
VAT	568 541	814 628
The municipality submit vat returns monthly to sars. The amount is in relation to unpaid return submitted.		
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	6 488	5 699
Bank balances	18 934 993	25 861 859
	<b>18 941 481</b>	<b>25 867 558</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014		30 June 2015	30 June 2014	
First National Bank - Account Type - primary Account-Account Number : 620262224999	196 065	3 897 130	-	196 065	3 458 818	-
First National BANK - Account Type - Cheque Account-62026225046	778 936	775 872	-	778 936	775 872	-
Standard BANK - Account Type-0520700336	82 778	84 042	-	82 778	84 042	-
Petty Cash	1 893	1 305	-	1 893	1 305	-
Cash Floats	756	554	-	756	554	-
Under/Over Bank	3 838	3 838	-	3 838	3 838	-
FNB BANK - Account Type - Business Cheque -6219248045	2 598 300	2 583 428	-	2 598 300	2 583 428	-
FNB BANK - Account Type - Business Cheque -62282061169	1 287 287	1 122 767	-	1 287 287	1 122 767	-
FNB BANK - Account Type - Business Cheque -62235619197	6 938 351	5 534 574	-	6 938 351	5 534 574	-
FNBANK - Account Type - Business Cheque -62098069175	45 312	118 094	-	45 312	118 094	-
NEDCOR BANK	545 293	514 684	-	545 293	514 684	-
Standardbank-Business Cheque	10 401	9 647	-	10 401	9 647	-
Investec business account-125677550	227 460	216 954	-	227 460	216 954	-
FNB-Business Cheque-62090279029	817 412	784 399	-	817 412	784 399	-
FNB-Business Cheque-62116486087	968 760	929 653	-	968 760	929 653	-
FNB-Business Cheque-62092759326	-	7 378	-	-	7 378	-
FNB-Business Cheque-62192429928	198 865	191 428	-	198 865	191 428	-
FNB-Business Cheque-62088816677	197 200	190 440	-	197 200	190 440	-
FNB-Business Cheque-62248698930	75 492	31 781	-	75 492	31 781	-
FNB-Business Cheque-62301101424	22 093	83 417	-	22 093	83 417	-
FNB-Business Cheque-62304523782	203 414	270 042	-	203 414	270 042	-
FNB-Business Cheque-62134476672	340 095	326 391	-	340 095	326 391	-
FNB-Business Cheque-62272463937	3 020	3 048	-	3 020	3 048	-
FNB-Business Cheque-62106118997	34 316	33 147	-	34 316	33 147	-
FNB-Business Cheque-62090278956	69 555	227 323	-	69 555	227 323	-
FNB-Business Cheque-62106118624	87 426	115 960	-	87 426	115 960	-
FNB-Business Cheque-62195706208	1 754 916	3 317 409	-	1 754 916	3 317 409	-
FNB-Business Cheque-62278574241	16 140	15 976	-	16 140	15 976	-



# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015		2014	
<b>9. Cash and cash equivalents (continued)</b>				
FNB-Business Cheque-622374192161	322 336	395 566	-	-
FNB-Business Cheque-Reichena Mission-62333916453	237 713	1 625 856	-	-
FNB-Business Cheque-62331463191	442 852	2 478 017	-	-
FNB-Business Cheque-Long Service Award	433 206	415 750	-	-
<b>Total</b>	<b>18 941 481</b>	<b>26 305 870</b>	<b>-</b>	<b>-</b>
<b>10. Revaluation reserve</b>				
Opening balance			3 084 207	1 774 000
Change during the year			-	1 310 207
			<b>3 084 207</b>	<b>3 084 207</b>
<b>10.1 Capital Replacement Reserves</b>				
Revaluation surplus beginning of period			582 658	582 658
<b>11. Finance lease obligation</b>				
<b>Present value of minimum lease payments due</b>				
- within one year			193 163	364 924
- in second to fifth year inclusive			557 725	698 600
			<b>750 888</b>	<b>1 063 524</b>
Non-current liabilities			557 725	698 600
Current liabilities			193 163	364 924
			<b>750 888</b>	<b>1 063 524</b>

The average lease term was 5 years and the average effective borrowing rate was 9% (2014: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Development and Planning Grant	20 861	20 861
Sisonke Grant	103 635	103 635
Free Electrical Services	-	56 190
DBSA Grant	35 045	35 045
Arts and Culture-Library	253 890	229 833
MPRA Grant	39 850	39 850
SDF Grant	39 417	105 417
EPWP	54 414	74 397
Sports Grant	225 491	38 678
COGTA Account	-	1 357 303
Anti-Corruption Grant	171 343	171 343
Municipal Pound Grant	-	44 484
GIS Grant	292 621	292 621
Bookkeeping Grant	109 397	109 397
PMS Grant	48 364	48 364
Free Basic Services	-	140 617
	<b>1 394 328</b>	<b>2 868 035</b>

#### Movement during the year

Balance at the beginning of the year	2 868 035	9 792 142
Additions during the year	25 881 001	25 815 338
Income recognition during the year	(27 354 708)	(32 739 445)
	<b>1 394 328</b>	<b>2 868 035</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

### 13. Other financial liabilities

#### Designated at fair value

Bank loan	559 613	720 667
Short-term/current portion		
Bank loan	310 733	870 069
Long-term/non current portion		
	<b>870 346</b>	<b>1 590 736</b>

#### Investments ceded as security

The following investments has been used as security by the Municipality for the long term loan of Development Bank of South Africa ( DBSA) . The loan is to the total value of R 625 272.84 as at year end . The ceded investments are with FNB and Investec to the value of R 671 923 .

As the loans are used as security this therefore means the municipality will not be able to utilise the stated investments up until the loan have been re-paid in full.

#### Non-current liabilities

Designated at fair value	310 733	870 069
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# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 13. Other financial liabilities (continued)

#### Current liabilities

Designated at fair value	559 613	720 667
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### 14. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Staff Leave Provisions	999 524	135 386	-	1 134 910
Other Provision	221 720	-	(221 720)	-
Provisions for 13th Cheque	1 279 360	95 597	-	1 374 957
	<b>2 500 604</b>	<b>230 983</b>	<b>(221 720)</b>	<b>2 509 867</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Provisions for Staff Leave	909 390	90 134	999 524
Other Provisions	-	221 720	221 720
Provisions for 13th Cheque	1 164 655	114 705	1 279 360
	<b>2 074 045</b>	<b>426 559</b>	<b>2 500 604</b>

### 15. Defined Benefit Plan Obligation

.		
Opening balance	569 825	506 223
Increase/(decrease) in the carrying amount recognised in the period as a result of a change in the fair value of the assets to be distributed	(176 825)	63 602
	<b>393 000</b>	<b>569 825</b>

### 16. Payables from exchange transactions

Payments received in advanced - contract in process	1 368 525	1 129 780
Sundry payables	669 667	3 387 304
Retention Creditors	577 747	1 161 259
Payments Received in Advance	557 754	525 332
Accruals	151 573	739 579
Sundry Creditors	1 800	57 451
	<b>3 327 066</b>	<b>7 000 705</b>

#### Payables from non-exchange transactions

Housing Grant	4 664 523	5 723 262
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### 17. Consumer deposits

Deposits	6 406	6 406
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The deposits relates to the rental deposits by Harry Gwala District Municipality for the administraiton block offices rentals done to the municipality.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>18. Revenue</b>		
Service charges	2 245 923	2 123 402
Licences and permits	72 886	-
Rental income	342 382	303 105
Agency fees -Motor Vehicle Licencing	277 642	200 974
Profit on Disposal of Fixed Assets	157 790	239 882
Other income	117 143	80 046
Building Plans	119 763	117 755
Interest received - investment	974 964	1 189 880
Property rates	12 970 915	12 487 756
Property rates - penalties imposed	1 183 903	2 841 742
Government grants & subsidies	27 354 708	32 739 445
Fines	98 100	110 150
	<b>45 916 119</b>	<b>52 434 137</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	2 245 923	2 123 402
Licences and permits	72 886	-
Rental income	342 382	303 105
Agency fees (motor Vehicle Licenses)	277 642	200 974
Profit on disposal	157 790	239 882
Other income	117 143	80 046
Building Plans	119 763	117 755
Interest received - investment	974 964	1 189 880
	<b>4 308 493</b>	<b>4 255 044</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	12 970 915	12 487 756
Property rates - penalties imposed	1 183 903	2 841 742
<b>Transfer revenue</b>		
Government grants & subsidies	27 354 708	32 739 445
Fines	98 100	110 150
	<b>41 607 626</b>	<b>48 179 093</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 19. Property rates

#### Rates received

Residential	20 935 725	19 866 423
Less: Income forgone	(7 964 810)	(7 378 667)
	<u>12 970 915</u>	<u>12 487 756</u>
Property rates - penalties imposed	1 183 903	2 841 742
	<u><b>14 154 818</b></u>	<u><b>15 329 498</b></u>

#### Valuations

Residential	710 321 000	710 181 000
Commercial	2 271 150 000	2 263 287 000
State	45 961 000	45 961 000
Municipal	552 224 000	550 862 000
	<u><b>3 579 656 000</b></u>	<u><b>3 570 291 000</b></u>

Valuations on land and buildings are performed every years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being . Interest at prime plus 18% per annum (2014:) and a collection fee of -% (2014: -%), is levied on rates outstanding two months after due date.

### 20. Service charges

Refuse removal	<u>2 245 923</u>	<u>2 123 402</u>
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# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>21. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	13 627 000	12 845 955
MFMG Grant	1 800 000	1 650 000
MSIG Grant	934 000	890 000
EPWP Grant	1 100 983	925 603
SDF Grant	66 000	-
Corridor Development	1 357 303	2 247 654
Small Town Rehabilitation	-	3 223 411
Arts and Culture Grant	636 944	454 000
Sports Grant	113 187	242 661
Free Services Grant	196 807	201 490
Spacial Development Grant	-	192 158
Animal Pond Grant	44 484	527 627
	<b>19 876 708</b>	<b>23 400 559</b>
<b>Capital grants</b>		
MIG Grant	7 478 000	9 338 886
	<b>7 478 000</b>	<b>9 338 886</b>
	<b>27 354 708</b>	<b>32 739 445</b>
<b>Free Basic Electricity</b>		
Balance unspent at beginning of year	56 190	101 925
Conditions met - transferred to revenue	(56 190)	(45 735)
	<b>-</b>	<b>56 190</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>FMG Grants</b>		
Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 800 000)	(1 650 000)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>MIG Grants</b>		
Balance unspent at beginning of year	-	255 886
Current-year receipts	7 478 000	9 083 000
Conditions met - transferred to revenue	(7 478 000)	(9 338 886)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>MSIG Grants</b>		
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>EPWP ( Expanded Public Works)</b>		

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>21. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	74 397	462 955
Current-year receipts	1 081 000	537 045
Conditions met - transferred to revenue	(1 100 983)	(925 603)
	<b>54 414</b>	<b>74 397</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Cogta Grant</b>		
Balance unspent at beginning of year	1 357 303	6 473 030
Conditions met - transferred to revenue	(1 357 303)	(5 115 727)
	<b>-</b>	<b>1 357 303</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Free Basic Services</b>		
Balance unspent at beginning of year	140 617	296 372
Conditions met - transferred to revenue	(140 617)	(155 755)
	<b>-</b>	<b>140 617</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>KZN Provincial Administration Grant</b>		
Balance unspent at beginning of year	1 098 153	2 098 340
Current-year receipts	961 000	-
Conditions met - transferred to revenue	(862 724)	(1 000 187)
	<b>1 196 429</b>	<b>1 098 153</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Sisonke Grant-capacity building</b>		
Balance unspent at beginning of year	74 515	74 515
Conditions still to be met - remain liabilities (see note 12).		
<b>Sisonke Grant- Waste Disposal Site</b>		
Balance unspent at beginning of year	29 120	29 120
Conditions still to be met - remain liabilities (see note 12).		
<b>Arts and Culture Grant</b>		
Balance unspent at beginning of year	39 850	39 850
Current-year receipts	-	454 000
Conditions met - transferred to revenue	-	(454 000)
	<b>39 850</b>	<b>39 850</b>
Conditions still to be met - remain liabilities (see note 12).		

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>22. General expenses</b>		
Advertising	367 010	359 575
Auditors remuneration	896 552	909 911
Bank charges	50 786	45 546
Computer expenses	7 791	13 030
Consulting and professional fees	531 175	554 139
Consumables	108 032	66 040
SALGA Expenses	458 333	458 000
Grant Expenditures	2 344 341	4 153 827
Ward Committee Expense	293 317	44 444
Discount Allowed	43 420	9 298
Pauper Burials Costs	28 880	41 865
Lease rentals on operating lease	22 053	12 264
Vehicle Lease	266 392	152
Street Lighting	187 892	109 766
Fuel and oil	602 707	590 203
Local Economic Development	424 979	234 625
Postage and courier	29 806	7 472
Printing and stationery	178 450	150 269
Protective clothing	4 748	134 300
Small Tools	9 375	1 380
Subscriptions and membership fees	2 799	2 265
Telephone and fax	3 702	8 643
Training	1 141 459	504 941
Travel - local	1 177 631	796 135
Refuse	23 937	85 133
Water	102 939	102 325
Uniforms	23 163	14 679
Tourism development	157 045	-
Furniture and Equipment expenses	5 057	3 440
Sundries	70 376	59 035
Special and Youths programs	733 180	499 433
Catering Expenses	28 858	64 727
Conferences	155 818	48 956
Deeds	2 456	3 196
Basic Services	178 856	176 634
Electricity	282 546	273 517
	<b>10 945 861</b>	<b>10 539 165</b>



# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. Employee related costs</b>		
Basic	12 182 026	10 569 271
Bonus	946 912	834 421
Medical aid - company contributions	460 976	362 054
UIF	106 657	96 331
SDL	145 340	128 890
Other payroll levies	6 780	6 280
Leave pay provision charge	174 051	160 034
Travel, motor car, accommodation, subsistence and other allowances	823 476	486 972
Overtime payments	841 413	892 779
Long-service awards	45 011	39 084
13th Cheques	95 597	270 257
Acting allowances	67 599	51 607
Housing benefits and allowances	65 179	60 970
Interest for long service bonus	68 750	65 506
Back Pay	54 426	31 723
Pension Fund Contributions	1 282 929	1 242 036
Cellphone Allowances	6 701	6 308
Long Service Bonus	8 204	7 683
	<b>17 382 027</b>	<b>15 312 206</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	837 572	792 750
Performance Bonuses	42 785	-
Contributions to UIF, Medical and Pension Funds	11 166	10 171
Back Pay	18 136	-
Substance allowance	39 390	45 647
	<b>949 049</b>	<b>848 568</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	501 426	474 593
Car Allowance	195 433	248 820
Performance Bonuses	39 933	-
Contributions to UIF, Medical and Pension Funds	10 129	9 072
Housing Allowance	39 087	-
Annual Bonus	39 933	37 144
Subsistence Allowance	33 445	-
Backpay	16 081	-
Cellphone	6 700	-
	<b>882 167</b>	<b>769 629</b>
<b>Remuneration Community Services Manager</b>		
Annual Remuneration	494 614	457 448
Annual Bonuses	40 709	38 121
Contributions to UIF, Medical and Pension Funds	89 221	82 398
Subsistence Allowance	17 434	15 010
Housing allowance	6 264	-
	<b>648 242</b>	<b>592 977</b>
<b>Corporate Services Manager</b>		
Annual Remuneration	502 543	475 650
Performance Bonuses	25 671	4 364
Contributions to UIF, Medical and Pension Funds	7 851	6 782

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. Employee related costs (continued)</b>		
Substance allowance	73 721	13 886
Backpay	10 882	-
	<b>620 668</b>	<b>500 682</b>
<b>24. Remuneration of councillors and Mayor</b>		
Mayor	-	
Normal Salary	343 986	326 158
Back Pay	18 655	15 697
Cellphone Allowance	18 363	13 378
	<b>381 005</b>	<b>355 233</b>
Councillors	-	
Councillors Allowances	949 249	888 450
Back Pay	70 277	59 360
Travel and Motor allowances	190 519	177 691
Cellphone Allowance	110 181	80 274
Total	<b>1 320 226</b>	<b>1 205 775</b>
	<b>1 701 231</b>	<b>1 561 008</b>
<b>25. Debt impairment</b>		
Debt impairment	-	60 594
Contributions to debt impairment provision	2 825 857	3 515 444
Debts impaired	71 450	17 200
	<b>2 897 307</b>	<b>3 593 238</b>
<b>26. Depreciation and amortisation</b>		
Property, plant and equipment	6 710 932	2 736 561
Intangible assets	21 558	13 557
	<b>6 732 490</b>	<b>2 750 118</b>
<b>27. Finance costs</b>		
Interest Paid	164 969	266 442
<b>28. Auditors' remuneration</b>		
Fees	896 552	909 911
<b>29. Contracted services</b>		
Information Technology Services	165 770	84 000
Fleet Services	14 493	30 334
Operating Leases	1 000 724	718 319
Specialist Services	798 492	626 854
Other Contractors-Fire services	896 917	846 283
Removal Fees	854 262	851 788
Security	441 562	350 043
Valuation Fees	185 400	225 501
	<b>4 357 620</b>	<b>3 733 122</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>30. Cash generated from operations</b>		
Surplus	1 103 724	13 704 493
<b>Adjustments for:</b>		
Depreciation and amortisation	6 732 490	2 750 118
Loss on sale of assets and liabilities	(157 790)	-
Actuarial Gain/(Loss)	(290 586)	(16 747)
Fair value adjustments	(689 000)	-
Finance costs - Finance leases	164 969	266 442
Interest income	(2 158 857)	-
Debt impairment	2 897 307	3 593 238
Movements in provisions	9 263	426 559
Other non-cash-items and Adjustments	(555 660)	2 153 738
<b>Changes in working capital:</b>		
Receivables from exchange and non-exchange transactions	1 547 498	(3 536 832)
Other receivables from non-exchange transactions	(5 000)	(43 624)
Payables from exchange transactions	(4 732 378)	4 377 505
VAT	246 087	-
Unspent conditional grants and receipts	(1 473 707)	(6 924 107)
Defined Plan Obligation	(176 825)	-
	<b>2 461 535</b>	<b>16 750 783</b>

### 31. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software	219 399	(37 933)	181 466	93 268	(16 374)	76 894

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Intangibles	76 894	126 130	(21 558)	181 466

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer Software	6 728	83 723	(13 557)	76 894

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 32. Employee benefit obligations

#### Defined Contribution plan

All municipal employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Municipal Pension Fund (Retirement) which are administered by the Province..

These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality..

Municipal employees are also members of the KwaZulu Natal Municipal Provident Fund. All contributions have been included in the employee related cost note. .

#### Long Service Awards

Independent valuers, actuarial consulting, carried out a statutory valuation on an annual basis  
The principal actuarial assumptions used were as follows:

:		
South African equities	8.49 %	8.49 %
Other [state country] equities	6.29 %	6.29 %
South African bonds	7.29 %	7.29 %
Other [state country] bonds	1.12 %	1.12 %
	-	-
	-	-

#### Movements in the defined benefit obligation is as follows:

Opening balance	569 825	506 223
Expected return	68 750	65 506
Actuarial gains (losses)	(290 586)	(16 747)
Assets distributed on settlements	-	(24 241)
Contributions by employer	45 011	39 084
	<b>393 000</b>	<b>569 825</b>

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

#### Key assumptions used

Members withdrawn from services: (Average for males and females)

Actual return on plan assets	16.00 %	16.00 %
Discount rates used	12.00 %	12.00 %
Expected rate of return on assets	10.00 %	10.00 %
Expected rate of return on reimbursement rights	2.00 %	2.00 %
Actual return on reimbursement rights	- %	- %

#### The amounts recognised in the Statement of Financial Position were determined as follows:

Actual return on plan Obligation	393 000	569 825
Actual return on reimbursement rights	-	-
	<b>393 000</b>	<b>569 825</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>32. Employee benefit obligations (continued)</b>		
<b>In conclusion</b>		
Statement of Financial Position obligation for.		
The total economic entity contribution to such schemes	393 000	569 825
The amount recognised as an expense for defined contribution plans is	(290 586)	(16 747)
<b>33. Investment revenue</b>		
<b>Interest revenue</b>		
Interest on Investments	974 964	1 189 880
<b>34. Capital Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	1 902 929	3 378 615
<b>Operating leases - as lessor</b>		
<b>Minimum lease payments due</b>		
- within one year	387 929	312 282

The operating leases include the following:

### Airfield

The municipality leases an airfield to 5 private individuals. The lease agreement was entered into on 1 March 2006 and its renewable on a yearly basis. Lease rentals per month are currently at 10% escalation.

### Telkom

#### Lease

The municipality leases one of its buildings ERF to Telkom. The lease is for a period of 9 years, 11 months. The lease terminates on 30 November 2014, lease escalates annually at 8 %.

### Sisonke District Offices

The municipality leases building premises to Sisonke district Municipality. This is a yearly contract renewable by 3 months notice by either of the parties. Lease rentals escalate at a rate of 12% annually

## 35. Contingencies

### **Himeville Community Watch**

Claim for damages and enforceability of contract. The Municipality contended that a contract concluded with the Community Watch was void because no procurement process was followed when the Community Watch was appointed. The Supreme Court of Appeal ruled in favour of Community Watch however the costs have to be argued at the arbitration, hence we could not have a reliable estimate. The service provider has to prove that they have rendered the services which justifies their claim.

Approximately R 2 029 350 is expected as a payout.

### **The Phonebook Company (Pty) Ltd**

This is a claim for services allegedly rendered. The Phone Book Company is claiming money from the Municipality for services, but it appears that they cannot substantiate that the service were actually rendered. We are waiting for the Phonebook Company to provide proof that the services were rendered.

The value of the claim for the above matter is R 100 000.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 36. Related parties

#### Relationships

District Municipality

Harry Gwala District Municipality

#### Related party transactions

##### Rentals of Premises

Harry Gwala District Municipality	144 969	120 968
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### 37. Prior period errors

There was a restatement of the prior year balances of Accruals which were incorrectly classified as Unspent Conditional Grants and Employee related costs which was incorrectly classified as General Expenses. These entries have been corrected and the restatement has been performed.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Unspent Conditional Grants	-	2 110
Trade and Other Payables	-	(2 110)
Accumulated Surplus-Employee Costs	-	143 500
Accumulated Surplus-General Expenditures	-	(143 500)
Land	-	1 087 000
Infrastructure	-	(562 965)
Building	-	(324 134)
Community assets	-	(282 737)
Accumulated surplus	-	1 043 999
Revaluation reserve	-	(961 163)

#### Cash flow statement

### 38. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the Municipality. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The Municipality provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 38. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities are all classified as current liabilities, payable within the next 12 months, other than the long term portion of borrowings which has a non-current portion.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

Not later than one year	559 613	720 667
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#### Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. At year end, financial instruments exposed to interest rate risk were as follows:

- DBSA	625 273	1 236 148
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### 39. Events after the reporting date

There are no events that took place after the reporting dates.

### 40. Unauthorised expenditure

Opening Balance	9 071 761	9 071 761
Unauthorised expenditure current year	7 362 552	536 869
Approved by Council or Condoned	(7 362 552)	(536 869)
<b>Unauthorised expenditure awaiting authorisation</b>	<b>9 071 761</b>	<b>9 071 761</b>

### 41. Fruitless and wasteful expenditure

Opening Balance	862 415	836 452
Fruitless and wasteful expenditure current year	2 696	25 963
Fruitless and wasteful expenditure condoned	(2 696)	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>862 415</b>	<b>862 415</b>

#### Incident-Disciplinary steps/criminal proceedings

The fruitless and wasteful Expenditure relates to penalty charges on liabilities owed by the municipality but not settled on time.

### 42. Irregular expenditure

Opening balance	21 593 993	17 003 922
Add: Irregular Expenditure - current year	4 700 849	4 590 071
Less: Amounts condoned	(25 460 237)	-
Add: Awaiting Condonation by National Treasury	25 460 237	-
<b></b>	<b>26 294 842</b>	<b>21 593 993</b>

# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 43. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Current year subscription / fee	895 051	909 911
Amount paid - current year	(895 051)	(909 911)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

#### PAYE, SDL and UIF

Current year subscription / fee	2 518 644	2 130 986
Amount paid - current year	(2 518 644)	(2 130 986)
	-	-

#### VAT

VAT receivable	568 541	814 628
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### Supply chain management Deviations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager.

#### Incident

Deviations during the year as per SCM which relates to sole suppliers and emergencies and also relates to service providers which the municipality has accounts with.	1 053 396	974 104
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### 44. Awards to close family members of a person in the service of the state

The Municipality has awarded a bid for construction of regravelling of Ridge access road to Lupicon Trading whose spouse is in the service of the state. The followingh are the particulars of the bid:

Name	Capacity	Amount
NJ Nketane	Project Manager (DPW)	R1 301 953

### 45. Budget differences

#### Material differences between budget and actual amounts



# Kwasani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 45. Budget differences (continued)

#### Investment Revenue

Increase on grant spending for rolled-over grants which has resulted in the decrease on investment and interest on investments.

#### Transfers Recognised - Operational

Amount for recognised rolled-over grants budgeted on other income.

#### Other Own Revenue

Amount for recognised rolled-over grants reported as operational grants whilst budgeted as other income and the delay in the opening of the new Licencing Office.

#### Remuneration Of Councillors

Re-imbursive travel for councillors budgeted on employee related cost.

#### Debt Impairment

Unanticipated delay in settlement of debt for one of the major debtors and delay on the appointment of Debt Collector for the District by COGTA.

#### Depreciation & Asset Impairment

Unanticipated impairment of infrastructure asset.

#### Transfers & Grants

Expenditure for indigent services form part of other expenditures

#### Other Expenditures

Results of the cost cutting measures implemented during the year to improve and sustain provision of services.

#### Internally Generated Funds

Change on the re-prioritisation of capital project funded by the municipality.

#### Net Cash From (Used) Operating

Unanticipated delay in settlement of debt for one of the major debtors and delay on the appointment of Debt Collector for the District by COGTA.

## Appendix A

### Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Loan Stock</b>							
<b>PPE Loan ( Motor Vehicles)</b>							
First National Bank 9.85% ( Prime +1.35)		354 588	-	109 515	245 073	294 640	-
		<b>354 588</b>	<b>-</b>	<b>109 515</b>	<b>245 073</b>	<b>294 640</b>	<b>-</b>
<b>Government Loans</b>							
DBSA Loan @ 5%		1 236 148	-	610 875	625 273	-	-
		<b>1 236 148</b>	<b>-</b>	<b>610 875</b>	<b>625 273</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>							
PPE Loan ( Motor Vehicles)		354 588	-	109 515	245 073	294 640	-
Government Loans		1 236 148	-	610 875	625 273	-	-
		<b>1 590 736</b>	<b>-</b>	<b>720 390</b>	<b>870 346</b>	<b>294 640</b>	<b>-</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Other movements Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land	10 905 000	-	-	-	-	10 905 000	-	-	-	-	-	-	10 905 000
Buildings	4 709 163	-	-	251 511	-	4 960 674	(614 163)	-	-	(159 117)	-	(773 280)	4 187 394
	<b>15 614 163</b>	<b>-</b>	<b>-</b>	<b>251 511</b>	<b>-</b>	<b>15 865 674</b>	<b>(614 163)</b>	<b>-</b>	<b>-</b>	<b>(159 117)</b>	<b>-</b>	<b>(773 280)</b>	<b>15 092 394</b>

#### Infrastructure

Roads	30 771 216	-	-	6 543 756	-	37 314 972	(6 829 349)	-	-	(1 580 378)	(2 825 056)	(11 234 783)	26 080 189
Storm water	883 479	-	-	-	-	883 479	(193 690)	-	-	(44 174)	-	(237 864)	645 615
Transfer Station	1 364 691	-	-	-	-	1 364 691	(967 925)	-	-	(68 235)	(251 635)	(1 287 795)	76 896
Work in progress	3 274 758	7 470 140	-	(9 073 687)	-	1 671 211	-	-	-	-	-	-	1 671 211
	<b>36 294 144</b>	<b>7 470 140</b>	<b>-</b>	<b>(2 529 931)</b>	<b>-</b>	<b>41 234 353</b>	<b>(7 990 964)</b>	<b>-</b>	<b>-</b>	<b>(1 692 787)</b>	<b>(3 076 691)</b>	<b>(12 760 442)</b>	<b>28 473 911</b>

#### Community Assets

Halls , Bus shelters and Sitting area	14 762 813	-	-	2 278 420	-	17 041 233	(2 016 197)	-	-	(565 784)	(200 165)	(2 782 146)	14 259 087
	<b>14 762 813</b>	<b>-</b>	<b>-</b>	<b>2 278 420</b>	<b>-</b>	<b>17 041 233</b>	<b>(2 016 197)</b>	<b>-</b>	<b>-</b>	<b>(565 784)</b>	<b>(200 165)</b>	<b>(2 782 146)</b>	<b>14 259 087</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Other movements Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Other assets

Office Equipment	2 420 625	59 646	-	-	-	-	2 480 271	(1 312 146)	-	-	(370 005)	(7 210)	(1 689 361)	790 910
Computer Equipment	190 255	217 088	-	-	-	-	407 343	(39 076)	-	-	(64 887)	(5 888)	(109 851)	297 492
Furniture & Fittings	264 739	163 023	-	-	-	-	427 762	(72 619)	-	-	(60 120)	-	(132 739)	295 023
Motor Vehicles	2 510 843	399 444	(350 016)	-	-	-	2 560 271	(1 310 528)	300 876	-	(443 547)	-	(1 453 199)	1 107 072
Plant	583 340	68 835	-	-	-	-	652 175	(352 133)	-	-	(64 733)	-	(416 866)	235 309
	<b>5 969 802</b>	<b>908 036</b>	<b>(350 016)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 527 822</b>	<b>(3 086 502)</b>	<b>300 876</b>	<b>-</b>	<b>(1 003 292)</b>	<b>(13 098)</b>	<b>(3 802 016)</b>	<b>2 725 806</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Other movements Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Total property plant and equipment

Land and buildings	15 614 163	-	-	251 511	-	-	15 865 674	(614 163)	-	-	(159 117)	-	(773 280)	15 092 394
Infrastructure	36 294 144	7 470 140	-	(2 529 931)	-	-	41 234 353	(7 990 964)	-	-	(1 692 787)	(3 076 691)	(12 760 442)	28 473 911
Community Assets	14 762 813	-	-	2 278 420	-	-	17 041 233	(2 016 197)	-	-	(565 784)	(200 165)	(2 782 146)	14 259 087
Other assets	5 969 802	908 036	(350 016)	-	-	-	6 527 822	(3 086 502)	300 876	-	(1 003 292)	(13 098)	(3 802 016)	2 725 806
	<b>72 640 922</b>	<b>8 378 176</b>	<b>(350 016)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80 669 082</b>	<b>(13 707 826)</b>	<b>300 876</b>	<b>-</b>	<b>(3 420 980)</b>	<b>(3 289 954)</b>	<b>(20 117 884)</b>	<b>60 551 198</b>
Total	<b>72 640 922</b>	<b>8 378 176</b>	<b>(350 016)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80 669 082</b>	<b>(13 707 826)</b>	<b>300 876</b>	<b>-</b>	<b>(3 420 980)</b>	<b>(3 289 954)</b>	<b>(20 117 884)</b>	<b>60 551 198</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment (loss)/Reversal Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land	10 855 000	-	-	-	50 000	-	10 905 000	-	-	-	-	-	10 905 000
Buildings	4 355 788	-	-	-	353 375	-	4 709 163	(404 599)	-	(35 532)	(174 032)	-	4 095 000
	<b>15 210 788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403 375</b>	<b>-</b>	<b>15 614 163</b>	<b>(404 599)</b>	<b>-</b>	<b>(35 532)</b>	<b>(174 032)</b>	<b>-</b>	<b>15 000 000</b>

#### Infrastructure

Roads	15 894 525	2 942 494	-	9 213 502	-	2 720 694	30 771 215	(5 722 245)	-	-	(1 107 105)	-	23 941 865
Storm water	883 479	-	-	-	-	-	883 479	(149 516)	-	-	(44 174)	-	689 789
Transfer Station	1 364 691	-	-	-	-	-	1 364 691	(899 691)	-	-	(68 234)	-	396 766
Work in progress	6 728 143	8 680 158	-	(12 133 543)	-	-	3 274 758	-	-	-	-	-	3 274 758
	<b>24 870 838</b>	<b>11 622 652</b>	<b>-</b>	<b>(2 920 041)</b>	<b>-</b>	<b>2 720 694</b>	<b>36 294 143</b>	<b>(6 771 452)</b>	<b>-</b>	<b>-</b>	<b>(1 219 513)</b>	<b>-</b>	<b>28 303 178</b>

#### Community Assets

Taxi Rank	1 329 008	387 748	-	-	-	-	1 716 756	(592 400)	-	-	(68 575)	-	1 055 781
Community halls	9 081 824	655 149	-	2 920 041	-	-	12 657 014	(974 092)	-	-	(352 896)	-	11 330 026
Sitting Area	389 043	-	-	-	-	-	389 043	(8 781)	-	-	(19 453)	-	360 809
	<b>10 799 875</b>	<b>1 042 897</b>	<b>-</b>	<b>2 920 041</b>	<b>-</b>	<b>-</b>	<b>14 762 813</b>	<b>(1 575 273)</b>	<b>-</b>	<b>-</b>	<b>(440 924)</b>	<b>-</b>	<b>12 746 616</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment (loss)/Reversal Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

#### Specialised vehicles

#### Other assets

Computer Equipment	1 747 855	897 828	(225 060)	-	-	-	2 420 623	(1 070 711)	-	-	(368 108)	126 673	(1 312 146)	1 108 477
Furniture & Fittings	86 958	103 297	-	-	-	-	190 255	(2 390)	-	-	(36 686)	-	(39 076)	151 179
Office Equipment	225 629	39 110	-	-	-	-	264 739	(28 839)	-	-	(43 780)	-	(72 619)	192 120
Motor Vehicles	2 554 858	375 460	(419 475)	-	-	-	2 510 843	(1 316 463)	-	-	(412 733)	418 668	(1 310 528)	1 200 315
Plant	395 720	217 263	(29 643)	-	-	-	583 340	(336 104)	-	-	(30 605)	14 580	(352 129)	231 211
	<b>5 011 020</b>	<b>1 632 958</b>	<b>(674 178)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 969 800</b>	<b>(2 754 507)</b>	<b>-</b>	<b>-</b>	<b>(891 912)</b>	<b>559 921</b>	<b>(3 086 498)</b>	<b>2 883 302</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment (loss)/Reversal Rand	Closing Balance Rand	Carrying value Rand

#### Total property plant and equipment

Land and buildings	15 210 788	-	-	-	403 375	-	15 614 163	(404 599)	-	(35 532)	(174 032)	-	(614 163)	15 000 000
Infrastructure	24 870 838	11 622 652	-	(2 920 041)	-	2 720 694	36 294 143	(6 771 452)	-	-	(1 219 513)	-	(7 990 965)	28 303 178
Community Assets	10 799 875	1 042 897	-	2 920 041	-	-	14 762 813	(1 575 273)	-	-	(440 924)	-	(2 016 197)	12 746 616
Other assets	5 011 020	1 632 958	(674 178)	-	-	-	5 969 800	(2 754 507)	-	-	(891 912)	559 921	(3 086 498)	2 883 302
	<b>55 892 521</b>	<b>14 298 507</b>	<b>(674 178)</b>	<b>-</b>	<b>403 375</b>	<b>2 720 694</b>	<b>72 640 919</b>	<b>(11 505 831)</b>	<b>-</b>	<b>(35 532)</b>	<b>(2 726 381)</b>	<b>559 921</b>	<b>(13 707 823)</b>	<b>58 933 096</b>
Total	<b>55 892 521</b>	<b>14 298 507</b>	<b>(674 178)</b>	<b>-</b>	<b>403 375</b>	<b>2 720 694</b>	<b>72 640 919</b>	<b>(11 505 831)</b>	<b>-</b>	<b>(35 532)</b>	<b>(2 726 381)</b>	<b>559 921</b>	<b>(13 707 823)</b>	<b>58 933 096</b>